

## **Iowa Broadband Deployment Governance Board August 28, 2009**

The Iowa Broadband Deployment Governance Board meeting was held on Friday, August 28, at 10:00 AM at the Iowa Utilities Board Offices, Conference Rooms 3 and 4, 1st Floor, 350 Maple Street, Des Moines, IA.

Board members present were Patricia Anderson, Chair John Gillispie, Senator Mike Gronstal, Thomas Hart, Michael Haskins, Justine Heffron, Carolyn King, Stephen Lacina, Gary Norris, Edward Pardini, Senator Kimberly Reynolds, Representative Kurt Swaim, Vice-Chair Krista Tanner, Roxanne White, and Representative Matt Windschitl.

Vice-Chair Tanner called the meeting to order at 10:08 AM. Members in attendance introduced themselves.

Vice-Chair Tanner wanted to clarify a phrase in the August 7, 2009, Iowa Broadband Deployment Governance Board minutes to reflect the change on page six:

*"Vice Chair Tanner suggested many of the Board members from state agencies and private industries may have additional resources and staff whereas the public Board members may not have access to additional staff and resources."*

Hart made a motion for approval of the August 7, 2009, meeting minutes as amended; Lacina seconded the motion. An oral vote was taken. The minutes passed by a unanimous vote.

*Note: Agenda items were taken out of order.*

Adam Humes, Attorney General's Office, gave an update pertaining to the Board's administrative rules that are currently in draft status (fourth draft). The changes are intended to document discussions that have been made at previous Board meetings and "fill in the blanks" to link the Iowa statute with the federal guidelines.

There was much discussion concerning the current (fourth) draft changes in the administrative rules. *(A copy of the version of the rules discussed at this Board meeting is attached at the end of the minutes as Appendix A.)*

### 261-501 (83GA,SF376)

261-500.2 - removed the "affordable rates" section (moved to section 261-501.2).

Section 500.3(4) - "Officers" has a clarification relating to the voting members who are present.

500.3(5) - removed due diligence committee section, Board decided to have an application review committee.

261-500.5(1) and 261-500.5(2) - inserted the Board's website address.

### 261-501 (83GA,SF376)

261-501.2 - Added and changed the "affordable rates" definition

Economically Sustainable definition was added. The wording tries to address that project(s) can't depend on further government assistance based upon estimated revenue, which would not include ordinary revenues generated by government users.

There was much discussion concerning the "economically sustainable" addition in the administrative rules.

Hart made a motion [relating to the economically sustainable section] to adopt the removal of the wording "government-backed loans" and for clarification the addition of "federal" before

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referencing the Universal Service Fund. Anderson seconded the motion. The motion passed by a unanimous oral vote.

There was much discussion concerning the “affordable rates” definition in the administrative rules.

Norris played a video clip about affordable rates relating to broadband speeds for North Korea students versus broadband speeds for American students. The video clip also discussed China’s advancements.

Vice-Chair Tanner addressed the group relating to the affordable rates definition. Students are a targeted demographic. As that relates to affordable rates, the definition comes into play when talking about funding a project, are providers’ rates going to be used by the public, whether all segments of the population can afford it. The group may address this topic when discussing the larger state broadband plan.

“Affordable rates” definition change in administrative rule’s draft:

“Affordable rates” means the current unbundled price for high-speed broadband services being charged for similar services in areas with two or more broadband providers, as demonstrated by published or advertised prices. If there are no or one existing high-speed broadband services in the proposed funded service area, projects will be evaluated on the ability of the applicant to demonstrate that their proposed pricing is affordable for the service area.

“Middle mile project” definition was tabled until Sub-Committee discussion.

There was discussion concerning the “qualified private providers” definition in the administrative rules.

Humes added since the Board is looking at applicants that are receiving federal dollars, the federal government has a listing of non-discriminatory policies and interconnection obligations in the BTOP and BIP programs. It looks like the federal government has addressed the issue.

“Qualified private providers” definition was discussed by the group. “On a non-discriminatory basis” verbiage will be added to the end of the definition.

In “timely project completion” [501.5(2)] wording was removed, Humes added, for discussion purposes, March 31, 2013 for the timely project completion date.

There was much discussion, by the Board, concerning a completion date.

Chair Gillispie asked if the federal program requires the money to be spent within 24 months from the grant date. The last of the money has to go out by September 2010. If the applicant is restricted by the 24 months federal perspective, applicants need to be completed with their project(s) 24 months later.

Board agreed to change the “timely project completion” [501.5(2)] date in the administrative rules draft to December 31, 2012, and must be completed within 24 months, but no later than December 31, 2012.

501.5(4) Humes added language concerning the “Capital Project” section relating to capital expenditures. Verbiage includes that a project is eligible only if the project is for capital

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expenditures (non-capital expenditures will not be allowed). There will be verbiage in the grant that describes what happens if an applicant tries to spend money on non-capital expenditures.

261-501.6(83GA, SF376) - There are a lot of details concerning the application process.

501.6(1) Notice of intent to apply – is discretionary, it is an optional form that the Board encourages to be completed, but applicants will not be punished or discriminated against if the form is not filled out.

501.6(3) Application timeline – Humes inserted 30 days, for discussion purposes.

Vice-Chair Tanner would like to see the application timeline shortened, the State application is not to be burdensome. Board members discussed application timeline.

Since the Board will know who in Iowa has applied for federal awards, Hart suggested that the Board send a letter to federal awardees informing them that State funding is available upon notice of federal award.

Board agreed to have the application timeline to 15 calendar days.

Vice-Chair Tanner reiterated that all Board members are expected to review the administrative rules draft.

501.8(3) – Deadline for contract execution – Humes inserted 60 days.

501.8(6) – Project status report – Humes discussed, constructed to mirror the federal requirements. At this time, Board did not have changes.

501.8(7) – Report to legislature – At this time, Board did not have changes.

501.7(2) Evaluation criteria - Mary Whitman, Iowa Utilities Board, discussed the Evaluation criteria that the sub-committee has developed. For the purpose of the rules the Sub-Committee has built in each scoring categories of the evaluation process: project purpose, project benefits, project viability, and project budget and sustainability. One question is how much detail does the Board need in the administrative rules. At this time the Board has the categories and the descriptions for each category.

Melanie Johnson, Iowa Department of Economic Development, said administrative rules have been completed both ways [by placing a large amount of description and/or by placing the minimum amount of details] the review committee will take a look at the rules that the Board recommends. They do tend to look for as much detail as possible. They look for priorities in certain categories. I have seen programs file general categories and sub-sections/questions (greater details). A Board can file either way.

Vice-Chair Tanner asked if the Board puts the points in the rules, would it be sufficient to place just the total for so each category, the rules committee knows how they are weighted.

Johnson said yes that would be sufficient, but you might want to communicate which category is the most important or what the order is.

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### Sub-committee group discussion:

Pardini informed the Board that the Sub-Committee has had three collaborated meetings. The Sub-Committee does not recommend a minimum score for the evaluation scoring sheet. Perfect score for the evaluation is 100.

Pardini gave a general overview of each of the four categories associated with the evaluation scoring sheet.

Criteria	Method	Points	Score
		Total	0
PROJECT PURPOSE – 25 Points			
Statutory Purpose			
Unserved Areas	1 point for every 1,000 unserved households	8 pt. max	
Underserved Areas	1 point for every 1,000 underserved households	8 pt. max	
Private Enterprise	Is the applicant a qualified private provider?	12	
Public/Private Partnership	Does the project require public and private collaboration, as appropriate?	5	
Public Entities	Will participation by the public entity promote access in an area that remains unserved or underserved due to lack of private sector investment?	3	
PROJECT BENEFITS – 25 Points			
Speeds Above Federal Minimums			
Wireline Providers	Based on Last Mile Speeds		
	Downstream between 1.5 Mbs to 5 Mbs, Upstream Speed >= 512 Kps	3	
	Downstream > 5 Mbs to 8 Mbs, Upstream Speed >= 768 Kps,	5	
	Downstream > 8 Mbs to 10 Mbs, Upstream Speed >= 1 Mbps	7	
Downstream > 10 Mbs, Upstream Speed > 1 Mbs	9		
Wireless Providers	Downstream between 1.5 Mbs to 2 Mbs, Upstream Speed >= 512 Kps	3	
	Downstream > 2.0 Mbs to 3 Mbs, Upstream Speed >= 768 Kps	5	
	Downstream > 3 Mbs to 4 Mbs, Upstream Speed >= 1 Mbps	7	
	Downstream > 4 Mbs, Upstream Speed >1 Mbs	9	
FOR BOARD'S CONSIDERATION: Middle Mile Projects			
Number of end-points and points of interconnection network will offer; proposed connections to last mile networks, community anchor institutions, or public safety entities; projected number of new end users served and at what speeds; level of need for a middle mile network in the service area; and network capacity.			
Synchronous Technology	Does the proposal contemplate Synchronous data transmission capabilities at speeds greater than 1 Mbs?	1-4	
Affordability of Services Offered	Proposed pricing will be evaluated based on comparison to published a la carte prices and speeds for existing broadband services in the proposed funded service area. If there are no existing broadband services present, applicant must demonstrate that proposed pricing is appropriate for proposed service area.	1-4	
Community Impact	Rate the project as it relates to community impact for job creation, economic development and other benefits to the targeted community.	1-5	
Speed of Completion	How quickly will the project make available the proposed services to at least one-half of the households in the proposed area?	1-3	
PROJECT VIABILITY – 25 Points			
Complete Funding	To what extent will the project not require any additional funding from the State in the course of normal operations?	1-5	
Applicant's Track Record	Does the applicant possess a record of accomplishment for similar projects?	1-10	
Financial Metrics	How does the project compare to similar projects? (i.e., Return on Investment, Internal Rate of Return, Net Present Value, Payback, Break-Even Analysis, Capital Cost Per Household, Debt Metrics, etc.)	1-10	

Minutes taken by: Lori Larsen (ICN)

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<b>PROJECT BUDGET AND – 25 Points SUSTAINABILITY</b>			
Reasonableness of the budget	Points awarded based on adequacy and completeness of the proposed budget	1-15	
Funding Leverage (Outside funding/government funding)	(i) 10 points if ratio is 10:1 or better, (ii) 7 points if ratio is between 5.0:1 and 9.9:1, (iii) 5 points if the ratio is between 3.0:1 and 4.9:1, and 1 point for ratios greater than or equal to 1:1	1-10	

There was much discussion, between the Board members, concerning the points for the unserved areas 1 pt (up to 8 pts) for every 1,000 unserved households.

Vice-Chair Tanner commented on the way the points are allocated on “points for unserved households”. IUB completed a survey in 2007. When reviewing the survey, information found for unserved households are low numbers. If the evaluation has a point for every thousand unserved households, up to 8 points, I don’t think we have unserved areas with 8,000 people. We might want to lower that ratio for the unserved household to be realistic.

Gronstal commented that the issue isn’t the number of households; the issue is how much the applicant is asking to subsidize those connections.

Board agreed to change the points awarded for unserved areas to 1 point for every 100 unserved household (up to 8 points).

There was much discussion concerning the points for the underserved areas 1 point (up to 8 points) for every 1,000 underserved households. The overall discussion changed to the evaluation scoring sheet relating to unserved and underserved households.

Pardini suggested that the Board give the Sub-Committee a scoring range from 1-8 pertaining to the unserved and underserved households. Pardini suggested to take the requested state funding amount / the number of households in the targeted area (underserved and unserved) to determine a ratio per household. The scoring committee would evaluate the final numbers to receive points in the category pertaining to similar projects.

White suggested looking at the percentage of homes covered in the census block / project area (unserved and underserved) which would allocate points based on the project area covered. Project purpose needs to define unserved and underserved.

Sub-Committee will review the points allocated for the unserved and underserved area.

Pardini gave an overview pertaining to middle mile. Middle mile is point to point in two places where one of the points is in an unserved and underserved area. Middle mile is not connecting to an end-user, however upgrading/connecting between two places that would raise the level of service to the end user in the service area.

There was much discussion, between board members, concerning the middle mile definition.

Pardini stated if the board agrees with a 25 point per category allocation scheme and agrees to include a general overview of each category, the administrative rules could be voted on September 11 since there will be no specific information included which will give the Board some flexibility.

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The next meeting is scheduled to be four hours long, and the Board has agreed that they want to continue with the scheduled vote relating to the administrative rules. The process needs to be completed by the time the federal application awardees are announced.

Humes will send a revised administrative rules draft to all Board members within one week.

Whitman said there may be a few items changing in the administrative rules, for example if the group decides to include middle mile projects, there may need to be a brief addition to the rules. Administrative rules may include some language that state "including, but not limited to".

Lacina asked looking at the scoring sheet, where would we place the job creation section?

Norris wanted to know which evaluation section included points for connecting schools.

Humes stated that in SF 376 [IJOBS] – The first part of the bill establishes the bonding and finance. The language regarding the broadband grants doesn't discuss jobs. Humes thought it would be best to leave the jobs aside, and the ultimate goal is providing broadband to Iowans.

The next meeting will continue to discuss the application, and Board members will be voting/passing the final administrative rules.

Vice-Chair Tanner added the National Telecommunications and Information Administration (NTIA) and the Rural Utilities Service (RUS) announced today that they received almost 2,200 applications requesting nearly \$28 billion in funding for proposed broadband projects.

#### Infrastructure

- More than 260 applications were filed solely with NTIA's Broadband Technology Opportunities Program (BTOP), requesting over \$5.4 billion in grants.
- More than 400 applications were filed solely with RUS's Broadband Initiatives Program (BIP), requesting nearly \$5 billion in grants and loans.
- More than 830 applications were filed with both NTIA's BTOP and RUS's BIP, requesting nearly \$12.8 billion in infrastructure funding.

#### Sustainable Broadband Adoption

- More than 320 applications were filed with NTIA requesting nearly \$2.5 billion in grants from BTOP for projects that promote sustainable demand for broadband services. (The Recovery Act directs NTIA to make at least \$250 million available for programs that encourage sustainable adoption of broadband services, of which up to \$150 million is allocated in this first round of grants.)

#### Public Computer Centers

- More than 360 applications were filed with NTIA requesting more than \$1.9 billion in grants from BTOP for public computer center projects. (The Recovery Act directs NTIA to make at least \$200 million available for expanding public computer center capacity, of which up to \$50 million is allocated in this first round of grants.)

The next meeting will be held on September 11, 2009, from 10 AM to 2 PM at Conference Room A5, Hoover State Office Building, Level A, 1305 E. Walnut St, Des Moines, Iowa 50319.

A motion was made by Vice-Chair Tanner to adjourn the meeting at 12:24 PM.

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**Appendix A:**

Revised 8/25/09 Administrative Rules (4th Draft)

OVERVIEW OF RULES FOR IOWA BROADBAND DEPLOYMENT GOVERNANCE BOARD



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Draft Broadband F

*Minutes taken by: Lori Larsen (ICN)*

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*Meeting minutes approved at the September 11, 2009 meeting*